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C O N F I D E N T I A L SECTION 01 OF 02 VILNIUS 001505

SIPDIS

STATE FOR EUR/NB (MGERMANO), EUR/ERA AND EB/ESC/IEC

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TAGS: [ENRG](#) [PREL](#) [LH](#)

SUBJECT: LITHUANIA TO PROCEED WITH REACTOR CLOSEOUT

REF: A. VILNIUS 1315

[B](#). VILNIUS 1439

Classified By: Economic Officer Miguel Kamat for reasons 1.4 (B) and (D)  
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Summary  
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[1](#)1. (C) A GOL resolution on November 24 confirmed that one of two Chernobyl-type Ignalina Nuclear Power Plant (INPP) reactors will close as expected on December 31. The resolution follows GOL-EU consultations in Brussels at which EU experts advised Lithuania to honor its EU accession commitments. Next month, the Lithuanian parliament will debate a French company's feasibility study on a new NPP. Canadian and U.S. companies have also expressed interest in constructing a new reactor. End Summary.

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GOL Affirms December 31 Closure Date for Unit I  
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[1](#)2. (C) A GOL resolution on November 24 confirmed that the older of the two INPP units will close on December 31. (The second unit is slated for decommissioning in 2009.) The announcement reflected President Valdas Adamkus's decision to abide by Lithuania's EU accession treaty obligations and to not seek a six-month extension on operations. The President declined the advice of GOL energy experts, who had expressed concerns (Ref A) that Lithuania would face a power supply shortfall in the event that the remaining unit proved unable to meet the winter's increased energy demands. The decision also ran counter to statements President Adamkus himself made to the Ambassador that he would seek an extension. Following consultations in Brussels, Ministry of Economy Undersecretary Arturas Dainius told us that the EU had indicated it would likely not support a GOL request for an extension.

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With Closure, Scant Possibility of Blackout  
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[1](#)3. (C) Presidential Energy Advisor Nijole Zambaite told us that a blackout could "theoretically" occur following the closure of Unit I, but that Lithuania could always turn to non-nuclear alternatives (Ref B). Lietuvos Energija General Director Rymantas Juozaitis told us that following the closure, Kaliningrad would need to draw its power from Russia across the highly integrated regional grid passing through Lithuania, since it could no longer depend on surplus electricity exports from Lithuania. This grid must pass through a narrow bottleneck consisting of three lines between Smolensk (Russia) and Belarus. This could conceivably raise the possibility of a blackout affecting much of Lithuania. However, for a blackout to occur in Lithuania, in Juozaitis's opinion, the following unlikely scenario would have to unfold:

- Failure of INPP's remaining unit;
- Failure of generators at Lithuania's Elektrenai Thermal Power Plant (INPP's back-up) to engage;
- Extreme icing on at least one of the electrical lines in the Russia-Belarus bottleneck; and
- Excessive consumer demand (as might happen, for example, when temperatures fall below zero degrees Fahrenheit).

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Decommissioning Requires Additional Funding  
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[1](#)4. (U) INPP Director General Viktor Sevaldin told us that Unit I will remain in operational condition, loaded with nuclear fuel, for three years following the December 31 closure date. The GOL will only commence the process of removing fuel from the reactor in 2008, when its new storage facility for spent fuel rods will be ready. Only after the fuel is removed from the unit and safely stored in a new facility for processing radioactive waste, experts tell us, can the reactor be dismantled. Given the logistics involved, said Sevaldin, it is unlikely that dismantling will begin before 2013. Lithuania has received EU commitments of 80-90 million euros (USD 106-120 million) for the spent fuel

facility, and 79 million euros (USD 105.1 million) for the waste processing facility. For the decommissioning process to proceed according to plan, however, the GOL, according to Sevaldin, will need an additional infusion of 80 million euros (USD 106.4 million) for the spent fuel facility and 51 million euros (USD 67.8 million) for the radioactive waste processing facility. Sevaldin said the GOL would present its funding needs to donor countries and the European Commission at a conference in London on December 10.

15. (U) Sevaldin noted that INPP's need for LTL 50 million (USD 66.5 million) annually to maintain the remaining reactor, pay employee salaries, and purchase spare parts could pose an additional obstacle to decommissioning. The GOL is able to contribute only LTL 18 million (USD 23.9 million) to this sum, and hopes to obtain EU support for the balance. Although the EU is scheduled to sign an agreement with the GOL by December 20 to cover 2005 expenses, Brussels has made no additional funding commitments.

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New NPP  
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16. (U) Sevaldin said the GOL has not decided whether to construct a new NPP. The Lithuanian parliament will consider a report in January by the French company Framatom and the Kaunas Technological University on the feasibility of constructing a new reactor. Sevaldin noted that Adamkus has repeatedly told him that he supports a new NPP for economic and environmental reasons. The French, said Sevaldin, are organizing an investors' meeting on the issue on January 13. He also claimed that the Canadian company AECL and U.S.-based Westinghouse have expressed interest in competing for any possible NPP tender (Westinghouse has not contacted the Embassy on this matter). The GOL, which is able to contribute only 30 percent of the estimated cost of 2 billion euros (USD 2.7 billion), will need private contributions to cover the balance.

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Workforce Lay-offs  
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17. (U) Sevaldin said INPP management will lay off 200 workers during both 2005 and 2006. Ignalina Nuclear Power Plant Regional Development Agency Director Arnoldas Abramavicius told us his agency is drafting a regional development strategy to help INPP workers find gainful alternative employment. His agency has created 100 new jobs in industries such as construction, sawmills, and tourism. Abramavicius said each INPP worker would receive LTL 30,000 (USD 11,539) on separation, and if eligible, retirement benefits as well. Although reductions before 2009 will be relatively minor, Abramavicius predicted that the GOL will need to lay off an additional 2,000 workers when it closes Unit II in 2009. His agency's strategy is to help members of the INPP workforce transfer their skills to industries such as metal construction, chemicals, sewing and furniture building, and to attract investment to the region's tourism sector.

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Comment  
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18. (C) The GOL had limited room to maneuver on the reactor closure date. Absent flexibility from Brussels, it felt compelled to honor Lithuania's international commitments. By taking the high road and closing the reactor, however, both President Adamkus and Prime Minister Brazauskas may well get a "black eye" if a blackout occurs this winter, as the public will likely blame both of them for any significant power shortfall.

19. (SBU) We note that, as the decommissioning date approaches, there is growing momentum within the GOL and the local scientific community to support a new NPP. If these plans progress, and Westinghouse really is interested, we will work with the company and the GOL to ensure that the construction contract bidding process related to a new NPP is fair and transparent.

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